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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

The Foodgrain Situation in Bangladesh

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ER IM 72-152
October 1972

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
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INTELLIGENCE MEMORANDUM

THE FOODGRAIN SITUATION IN BANGLADESH

Introduction

1. Since Bangladesh achieved its independence last December, rice prices have risen sharply, contributing to growing popular unrest and criticism of the government. Private rice stocks are unusually low because of crop failures associated with last year's military activities. As a result of the civil war that erupted in March 1971, the subsequent exodus of about 10 million refugees, and the two-week Indo-Pakistani war in December, rice production in the crop year ending 30 June was the lowest in five years. Thanks to a massive UN relief effort, large quantities of foodgrains - mainly wheat - have arrived from abroad and have been distributed to the population. Although no severe food shortages have been reported, high rice prices have persisted, and Dacca anticipates another crop shortfall this winter. This memorandum evaluates the current foodgrain situation in Bangladesh and the prospects for the months ahead.

Discussion

Background

2. Because of the annual rice crop cycle in Bangladesh (see Figure 1), foodgrain stocks drawn from domestic production are normally at their highest levels in the early spring, drawn down during the summer, and replenished in the late fall and winter. There are three annual rice crops: the fall (aus) harvest, the winter (aman) harvest, and the spring (boro) harvest. They represent about 25%, 60%, and 15%, respectively, of annual rice output. The aman crop is grown practically throughout the country on both highlands and lowlands. It is sown earlier on lowlands to permit sufficient growth to withstand inundation by monsoon rains. The aus crop also is widespread, but has a shorter season and is limited to highlands

Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.

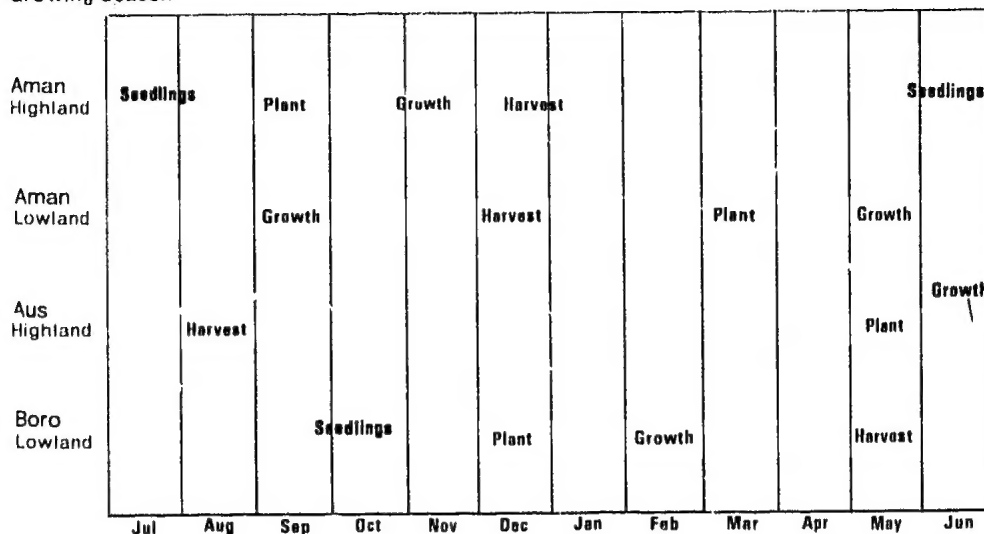
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Bangladesh: Growing Seasons of Rice Crops

Figure 1

Growing Season



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to avoid monsoon flooding. The boro crop, grown during the dry season, is limited by irrigation requirements and is grown mainly in the marshy northeast. On an annual basis, per capita rice production is greater in some districts than in others, and an adequate distribution system is essential to avoid local shortages. In crop year (CY)⁽¹⁾ 1968, for example, when foodgrain imports exceeded one million metric tons, eight of the nation's 19 districts produced less than enough foodgrains for their populations (see Figure 2).

3. For more than a decade, total foodgrain production in Bangladesh has been inadequate to feed its rapidly growing population – estimated currently at more than 75 million persons in an area about the size of Arkansas. Since the early 1960s, annual population growth has averaged at least 3%, among the highest rates in the world. At the same time, rice production – which constitutes almost all foodgrain production in Bangladesh⁽²⁾ – did not keep pace with population growth. Consequently, foodgrain imports rose from 700,000 tons in CY 1961 to almost 1.9 million tons in CY 1972 (see Table 1).

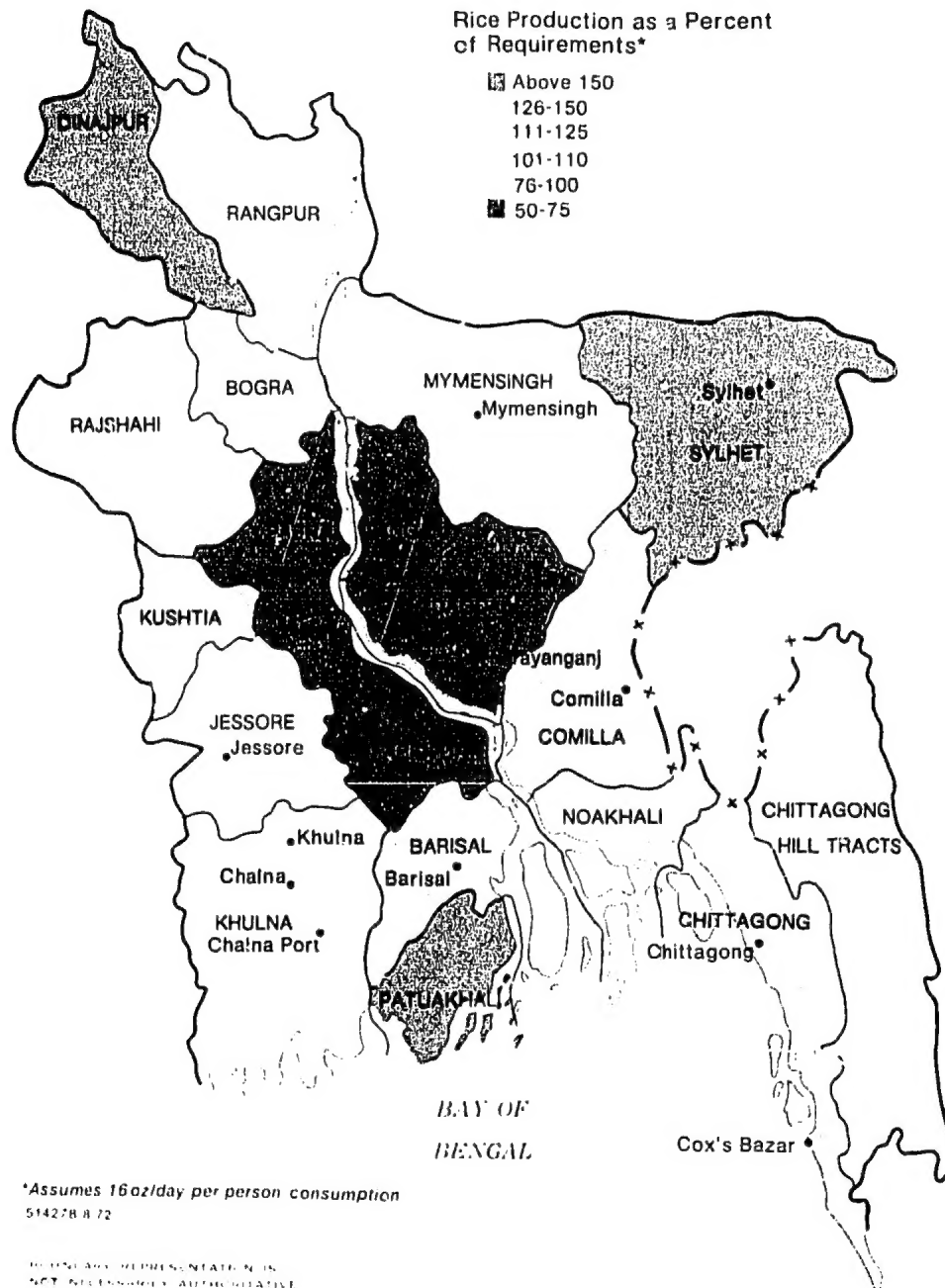
1. The crop year ends 30 June of the stated year.

2. Only about 100,000 tons of coarse grains are produced annually.

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Bangladesh: Food Situation, 1968

Figure 2



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Table 1

Bangladesh: Rice Production and Foodgrain Imports

Thousand Metric Tons

Crop Year ^a	Rice Production ^b	Foodgrain Imports		
		Wheat	Rice	Total
1961	9,680	234	464	698
1962	9,620	202	206	408
1963	8,870	894	542	1,436
1964	10,630	656	346	1,002
1965	10,500	250	95	345
1966	10,500	529	360	889
1967	9,570	647	432	1,079
1968	11,170	712	308	1,020
1969	11,340	884	236	1,120
1970	12,010	1,045	502	1,547
1971	11,150	898	381	1,279
1972 ^c	9,970	1,350	500	1,850

a. Ending 30 June.

b. Only about 100,000 tons of coarse grains are produced annually.

c. Preliminary.

4. Sharp declines in rice output during CY 1971 and CY 1972 resulted primarily from the severe 1970 floods and cyclone and the subsequent disruptions caused by military activities. Output fell 7% in CY 1971 and nearly 11% in CY 1972, when it reached its lowest level in five years. The CY 1972 decline would have been larger if not for a record boro harvest in the spring, apparently due to more extensive use of high-yielding variety seeds and increased acreage for that crop. But in the following year all three of the annual crops registered declines (see Table 2).

5. In the summer of 1971, there were indications that foodgrain shortages - possibly widespread - were almost inevitable because of transport disruptions stemming from the civil war.⁽³⁾ The foodgrain distribution system clearly had broken down. Rail traffic was disrupted by

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Table 2

Bangladesh: Rice Production, by Crop

Crop Year ^a	Million Metric Tons			
	Aus	Aman	Boro	Total ^b
1961	2.54	6.68	0.46	9.68
1962	2.37	6.76	0.49	9.62
1963	2.24	6.14	0.49	8.87
1964	2.70	7.41	0.52	10.63
1965	2.54	7.38	0.58	10.50
1966	2.97	5.91	0.63	10.50
1967	2.72	6.01	0.84	9.57
1968	3.12	6.92	1.13	11.17
1969	2.72	6.98	1.64	11.34
1970	3.01	7.06	1.94	12.01
1971	2.91	6.00	2.24	11.15
1972	2.38	5.79	1.80 ^c	9.97 ^c

a. Ending 30 June.

b. Because of rounding, components may not add to the totals shown.

c. Preliminary.

the hostilities, and water traffic was limited by a shortage of boats, which had been confiscated in large numbers by the Pakistani army. About 50% of imported foodgrains normally move by rail, and most of the remainder by water. At the same time, up-country movement of foodgrain imports was stalled at the ports by labor shortages and the priority assigned to military supply movements.

6. Serious shortages failed to materialize, however, partly because some imports were distributed during the civil war, despite disruptions, but primarily because about 10 million refugees fled to India between April and November 1971. Hunger and anticipated food shortages, as well as fear of the Pakistani army, probably were the decisive factors in the exodus. In any event, the population was reduced temporarily by 10% to 15%, and food requirements within Bangladesh were reduced accordingly. The Indian government provided an estimated one million tons of foodgrains to the refugees during their stay in India.

7. The destruction of railroad equipment and bridges by the retreating Pakistani army last December worsened the food distribution

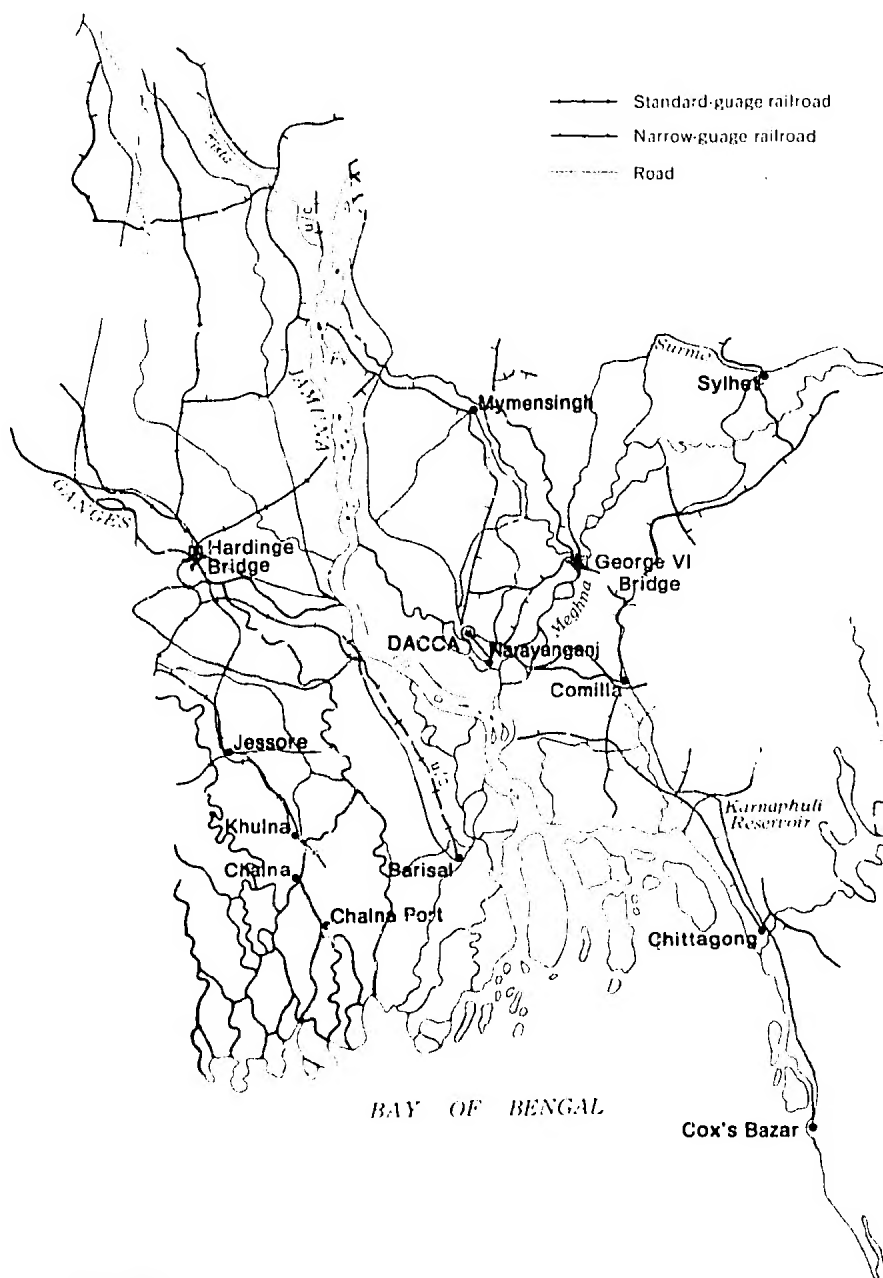
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problem by reducing rail traffic to only 10% of normal. Civil war disruptions earlier had already reduced traffic by about one-half. The Pakistanis destroyed the only railroad bridges across the two principal rivers -- the Hardinge across the Ganges and the George VI across the Meghna (see Figure 3). Destruction of the Hardinge Bridge left the nation's five

Bangladesh: Transport Network, 1972

Figure 3



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northwestern districts inaccessible, except by water, from the major ports. The George VI Bridge had provided the only rail connection between Chittagong – the major seaport – and Dacca. In addition, hundreds of small bridges were destroyed and many river craft were deliberately sunk to slow the Indian army.

Development Since the Indo-Pakistani War

8. The foodgrain situation was only one of a host of economic problems confronting the new government in Dacca following the Indo-Pakistani war, but not necessarily the most immediate. The aman harvest was under way, and the boro crop already had been planted, assuring an adequate food supply for at least several months. In addition, food aid from India became available almost immediately, delivered mainly to the virtually isolated northwest districts. There were reports in January that the government was rushing fertilizer and pesticides to the countryside in an apparent effort to increase the aus crop. More recent reports, however, indicate that in early 1972 the government initiated policies that encouraged farmers to grow jute – which competes for land with the aus crop – and favored jute growers with fertilizer and other needed inputs. With food aid on the way, the government probably reasoned that foreign exchange was the more critical problem. Jute production, which generates most of the nation's foreign exchange earnings, had declined by almost 40% between 1970 and 1971.⁽⁴⁾ In any event, the aus harvest of August-September 1972, estimated at only 2.1 million tons, was the smallest aus crop in more than 10 years. On the other hand, jute production reportedly was restored this year to its 1970 level.

9. The resumption of foodgrain imports soon after the war and a rapidly mobilized UN relief effort have combined to avert any serious foodgrain shortages thus far. During January-September 1972, about 2.0 million tons of foodgrains – mostly wheat – arrived from abroad. Dacca had requested 2.7 million tons for 1972; most of the foodgrains not yet delivered have already been pledged. Major donors include the United States (800,000 tons), India (800,000 tons), and Canada (275,000 tons), including foodgrains pledged but not yet delivered.

10. The UN Relief Operation in Dacca (UNROD) had coordinated the delivery and distribution of food aid, but the Bangladesh government generally has managed the ultimate disposition of imported foodgrains. About 130 UNROD personnel have helped estimate aid requirements, arrange delivery schedules, and charter river vessels to move food up-country. Some of the imported food has been distributed directly by UNICEF members of the UNROD team. Most of the final distribution of

4. Calendar years; the jute crop is harvested in August and September.

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imported food, however, occurs through the network of ration shops maintained by the government's Food Corporation. Food ration cards reportedly have been issued to about one-fourth of the population, with eligibility determined generally by income. In the urban areas of Dacca, Chittagong, and Narayanganj, however, the entire population currently is eligible for ration shop foodgrains. The weekly foodgrain ration per "adult" (eight years of age and older) is about six pounds. Some of the refugees returning from India, and disaster victims, are given free food; otherwise, cardholders pay the fixed government ration price.

11. Rising free market rice prices during the summer of 1972 apparently reflected hoarding, profiteering by speculators, and reported corruption among government foodgrain officials. The Bengali preference for rice over wheat also contributed to the sustained demand for rice in the presence of large wheat supplies. Free market rice prices rose almost steadily throughout the country, at least through August, but declined slightly in September, probably because the aus crop had reached the markets (see Table 3). Rice reportedly was selling at twice the previous year's price in some areas, generating some anti-government demonstrations. In the summer of 1971, by contrast, rice prices displayed only the usual seasonal variations, despite the threat of serious food shortages at that time. The refugee flight to India reduced pressures on prices, and the prevailing mood of unity among the Bengalis probably inhibited hoarding and profiteering.

12. In an effort to hold the line on prices and insure more equitable distribution, in early October the government announced that it would open about 4,700 "fair-price" shops to distribute rice, wheat, sugar, edible oils, and other basic consumer items. The relationship between these shops and the existing ration shop system was not explained, although the latter served only holders of ration cards and the former will probably serve the entire populace. Nor was it clear whether, under the new system, the government would increase its rice procurement price sufficiently to increase its rice stocks. The government has set the price so low that in recent years it has procured only about 6,000 tons annually, mainly from border areas where, to discourage smuggling, the sale of surplus rice to the government is mandatory. Because only one-fourth of imported foodgrains consist of rice, the government's rice supply apparently has been inadequate for the consumer demand from its ration shops.

13. UN personnel have been indispensable in handling the rapidly accelerating import arrivals and in overcoming transport bottlenecks to move ample food supplies up-country. The number of deficit districts is considerably larger than normal this year (see Figure 4), and the main rail bridges have yet to be restored, so that grain must be moved mainly by boats. Repair of the George VI Bridge will not be completed until at least

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Table 3

Bangladesh: Free Market Rice Prices, by District

	Takas per Maund ^a		
	January 1972 (Average)	26 August 1972	22 September 1972
All districts, average	41.5	70.2	66.5
Dacca	45.2	72.0	71.2
Khulna	46.3	75.0	68.8
Chittagong	41.7	69.0	57.0
Dinajpur	34.8	62.5	67.5
Rajshahi	45.0	73.0	64.0
Bogra	38.8	70.0	60.0
Mymensingh	34.0	75.0	73.8
Tangail	39.0	72.0	71.0
Barisal	44.5	63.0	65.4
Patuakhali	N.A.	64.0	62.0
Sylhet	35.5	75.0	65.0
Faridpur	46.7	74.8	72.2
Comilla	41.5	74.0	67.3
Noakhali	N.A.	66.0	68.8
Pabna	45.8	67.5	68.7
Jessore	48.6	75.0	66.9
Kushtia	49.9	70.0	64.3
Rangpur	32.6	80.0	75.5
Chittagong Hill Tracts	N.A.	58.0	57.3

a. One taka equals US \$0.13 and one maund equals 82.3 pounds.

late 1973. Raising the collapsed span of the Hardinge Bridge was under way in early summer but was delayed by the monsoon and was scheduled for completion in October. Thanks mainly to the UN effort, boats have successfully replaced the railroads temporarily in moving foodgrains to deficit areas. Foreign donors have contributed various types of river vessels as well as funds for chartering of private vessels, so that sufficient river boats have been available. The US supertanker **Manhattan** has been anchored off Chittagong since early August, serving as an offshore warehouse and relieving the congestion at Chittagong's harbor.

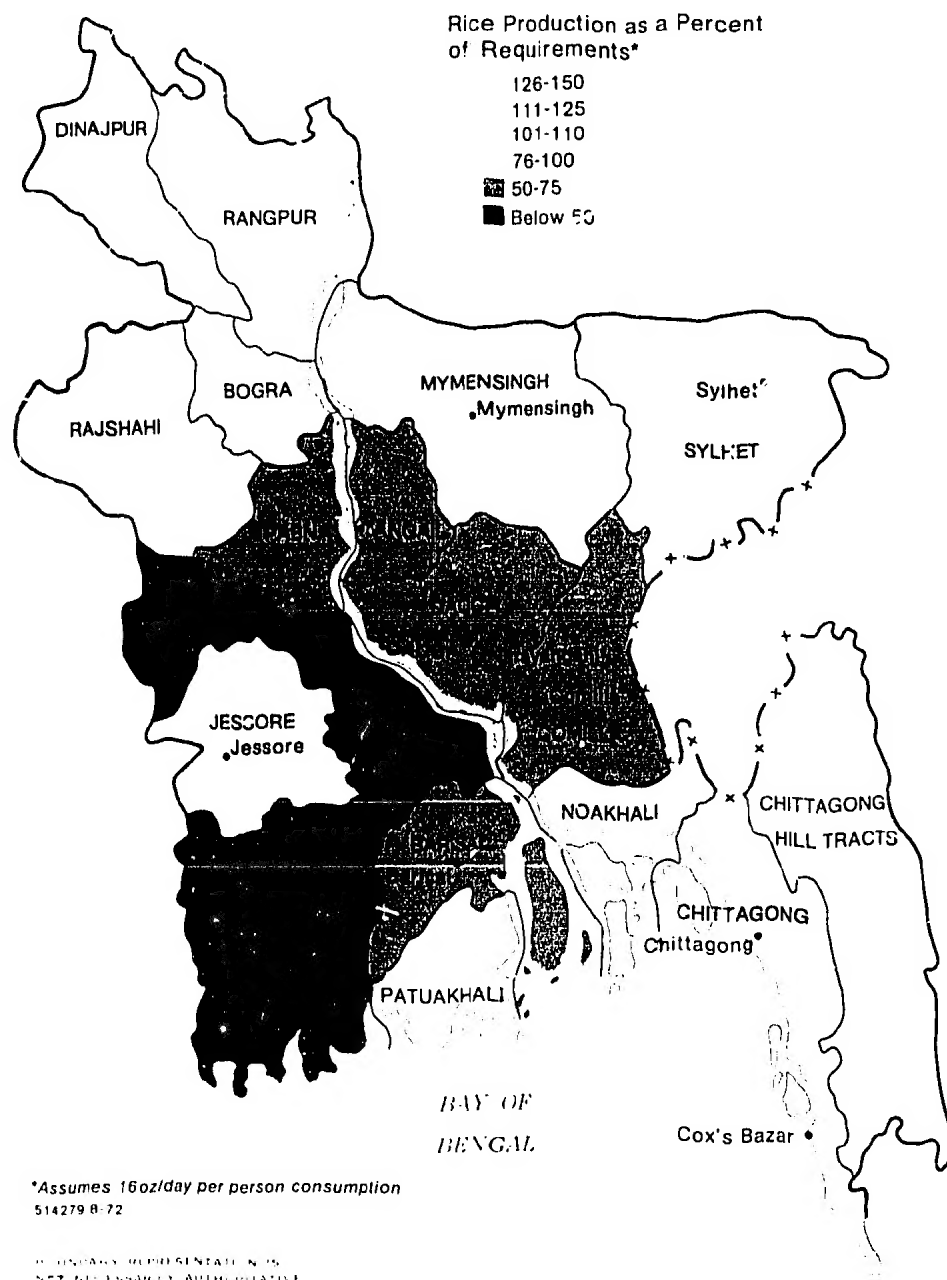
Prospects

14. UNROD spokesmen in Dacca estimate that current foodgrain stocks and import commitments will be adequate to meet requirements at least until the aman harvest begins in November. Public foodgrain stocks

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Bangladesh: Food Situation, 1972

Figure 4



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in late August were about 500,000 tons, including 78,000 tons of rice and over 400,000 tons of wheat. Imports of about 280,000 tons arrived in September, and about 550,000 tons were expected during October-December. The United Nations has requested an additional 175,000 tons, which would raise total imports for the calendar year to 2.7 million tons. Dacca had hoped for a 12 million ton harvest during CY 1973, but the goal appears to be out of reach. The crop year started poorly with an aus harvest of little more than 2 million tons. Dacca estimates the upcoming aman harvest at 5.8 million tons, and even a favorable boro crop next spring would raise total production for CY 1973 to about 10 million tons -- about the same as the CY 1972 crop. The aman crop has still to be exposed to the cyclone season in the fall, and the boro crop faces the uncertainties of fertilizer supplies as well as weather. About one-half of the boro crop is slated to consist of high-yielding rice varieties, which require much larger doses of fertilizer than traditional varieties in order to produce optimum yields. Dacca depends on foreign aid donors for most of its fertilizer; neither of its two fertilizer plants is operating anywhere near capacity.

15. Dacca's ability to control food prices during the next month or two, while assuring adequate foodgrain supplies through its fair-price shops, will largely determine whether the poorer classes can avoid extreme hunger -- and in some cases possibly starvation. The price situation is ominously similar to price developments preceding the 1943 famine in Bengal, which included the region that is now Bangladesh. That famine claimed 1.5 million to 3.5 million lives. The rice supply at that time seemed adequate, but prices rose sharply beginning in July until rice was beyond the reach of the poor, and starvation ensued. The spiraling prices were attributed to speculation, hoarding, and profiteering. At that time, however, war conditions had divested the region of its major external supply source -- Burma -- and heightened fear of shortages among the populace. The UN presence in Bangladesh probably will avert a similar disaster. Although wheat is unpopular among Bengalis, it will be preferable to high-priced rice and certainly to no food at all.

16. India, which now has foodgrain supply problems of its own, is not likely to play a significant role in supplying foodgrains to Bangladesh in the current crop year. New Delhi's foodgrain stockpiles had reached a record 9 million tons in early 1972, when it provided substantial food assistance to Dacca. Since then, however, a late and erratic monsoon reduced crop expectations and prompted New Delhi to tighten distribution procedures and extend its price controls in order to prevent hoarding. India's foodgrain stockpiles probably have declined since August. Threatened shortages in India and a black market currency exchange rate favoring India have apparently increased smuggling from Bangladesh to adjacent Indian states, further exacerbating Dacca's supply problems.

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17. The United Nations, which has conducted relief operations in Bangladesh since the 1970 cyclone, plans to dismantle its operations in March 1973. It is uncertain, however, whether the government will be able to supply deficit areas independently by that time. The new government's Food Corporation, operating with UN support since its inception, has yet to be tested. Before independence, West Pakistanis had played key roles in food distribution. In addition, most Bengali food administrators who worked during the civil war have been dismissed as "collaborators." Resumption of rail service, especially over the Hardinge Bridge to the northwest districts, will simplify Dacca's tasks considerably. Foreign donations will certainly be forthcoming, but adequate distribution within the country will require a continuing massive effort by Dacca, and may well require foreign transport assistance beyond next March.

Summary and Conclusions

18. Despite a sharp decline in rice production and serious disruptions in the nation's railroad system, massive foodgrain imports and a UN-coordinated effort to supply food-deficit areas by boat have averted serious foodgrain shortages in Bangladesh. Rice production in the year ending 30 June was less than 10 million tons, down 17% from two years earlier. However, about 2.0 million tons of foodgrains were imported during January-September, and delivery of an additional 0.7 million tons is expected by year's end. The United Nations has coordinated the distribution of imported foodgrains to needy areas, mainly by chartered river vessels, because major railroad bridges are still not repaired.

19. The total foodgrain supply is adequate, at least until the main harvest beginning in November, and internal distribution is not the problem it was last year. Most imported foodgrains have consisted of wheat, however, and the Bengali penchant for rice apparently contributed to rapidly rising rice prices during the summer. Hoarding and profiteering also reportedly were involved in the high rice prices. Prices declined in September, however, when the aus rice crop reached the market.

20. The short-term crop outlook is discouraging: the fall crop just harvested was the smallest in more than 10 years, and the major crop to be harvested in November-December is not expected to be any higher than last year's. Foodgrain imports most certainly will be required beyond March 1973, when the UN relief operation is scheduled to leave. Dacca has not made known its plan for taking over the role of the United Nations at that time, but will likely have difficulties in distributing imported foodgrains without foreign transport assistance.

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